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Auditor General of British Columbia

Financial Administration of Vote 1

Report Issued to
the Speaker of the Legislative Assembly,
as Chair of the Legislative Assembly
Management Committee

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The Honourable Gretchen Brewin
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Madam:

I herewith transmit my report titled "Financial Administration of Vote 1" which I am issuing to you as Chair of the Legislative Assembly Management Committee.

George L. Morfitt, FCA
Auditor General

Victoria, British Columbia
January 2000

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

Financial Administration of Vote 1

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Financial Administration of Vote 1

Introduction and Scope of Review

Vote 1 is the amount provided in the Estimates to operate the Legislative Assembly and to support the activities of the elected MLAs in carrying out their duties.

The Legislative Assembly Management Committee Act established in 1992 a committee with the jurisdiction to deal with, among other things, all matters affecting the review of estimates of expenditure for the Legislative Assembly, including preparation of forecasts and analyses of expenditures and commitments.

The Auditor General has the authority under the Legislative Assembly Management Committee Act to report on any matters that are under the jurisdiction of the committee.

The expenditures for Vote 1 often exceed the amounts appropriated by that Vote, sometimes attracting public comment, and so we decided to review the way in which Vote 1 is administered. We were particularly interested in situations in which actual expenditures exceeded the amounts in the Estimates. Specifically, we reviewed:

- how the estimates of expenditures in Vote 1 are determined and approved;
- how the actual expenditures are monitored in comparison to those estimates;
- how the statutory appropriation provision in the Constitution Act is accessed when the total actual expenditures through Vote 1 exceed the voted appropriation; and
- what accountability is provided when the original estimates are exceeded.

This was a study rather than an audit. It includes both consideration of the role of the Legislative Assembly Management Committee (LAMC) in this process, and what alternative procedures there are when LAMC does not meet, for whatever reason.

The roles and responsibilities of MLAs and the official positions they may occupy, such as Speaker of the House, are governed first by legislation. These roles and responsibilities are also governed by traditions established over many years. These traditions may be as interpreted by the Speaker with the advice of the Clerk. Consequently we not only reviewed relevant legislation but also relied on interviews to provide us with information about the responsibilities and how traditions affected them. We met with the Government Caucus Chair and the Official Opposition Caucus Chair (the Official Opposition House Leader attended the latter meeting) and with Officers and staff of the Legislative Assembly. We carried out this review between May 1998 and July 1999.

We did not audit these processes, or audit or review individual transactions. In addition, our study did not include any consideration of whether the dollar amounts provided to the MLAs, Officers and staff of the Legislative Assembly enable them to perform their duties adequately and to operate the Assembly in an appropriate fashion.

What Is Vote 1?

Before the beginning of each fiscal year, the Minister of Finance and Corporate Relations prepares the Estimates of Expenditure for the coming fiscal year, based on input from the special offices, ministries and Treasury Board. These Estimates set out detailed information on the proposed expenditures of the special offices and ministries, and on other appropriations. The Estimates are divided into separate "votes" for each special office or major part of a ministry's operations. They are referred to as votes because each is debated and voted on in the Legislative Assembly. There were 54 separate votes in the 1999/2000 Estimates. Votes provide the framework for legislative control, since funds can only be spent for the purposes stated in the vote description, and expenditures cannot exceed individual vote totals without legislative authority.

The votes are numbered, and the first one, Vote 1, is the amount provided for the operation of the Legislative Assembly. Vote 1 expenses include:

- amounts paid to MLAs as salaries and allowances
- travel for MLAs within their constituency and to and from Victoria
- MLA communications with constituents
- caucus support services (such as caucus office staff, accommodation and equipment at the Legislative Buildings)
- MLA constituency office expenses
- the Office of the Speaker, the Clerk of the House, the Office of the Clerk of Committees, the Sergeant-at-Arms, Hansard, the Legislative Library, the Legislative Dining Room, the Legislative Comptroller, other supporting staff, and maintenance of the legislative buildings
- general costs such as stationery and office supplies

Exhibit 1 shows the Vote 1 amounts and the vote description as they appear in the most recent Estimates, those for the 1999/2000 fiscal year.

In addition to the Vote 1 appropriation, funding for the Legislative Assembly is also available through a statutory appropriation in the Constitution Act (section 57), which states: "There is granted to the government, annually out of the

Exhibit 1

Vote 1 Estimates from the Blue Book

Vote 1 — LEGISLATION

Classification by Sub-Vote

Estimates 1998/99 $000		Estimates 1999/2000 $000
7,678	Members' Indemnities and Allowances	7,735
6,282	Members' Constituency Support	8,532
180	Legislative Committees	535
65	Inter-Parliamentary Relations	93
650	Legislative Documents	650
102	Parliamentary Dining Room (net of recoveries)	211
4,258	Caucus Support Services	4,585
231	Office of the Speaker	232
994	Clerk of the House	673
–	Office of the Clerk of Committees	409
537	Financial Services/Assembly Services	1,038
137	Human Resources	220
128	Computer Systems	607
111	Legislative Internship Program	178
2,440	Sergeant-At-Arms	2,667
1,803	Hansard	2,224
2,162	Legislative Library	2,112
843	Legislative Building Improvements	407
3,450	Communications and Other Centralized Expenses	3,485
32,051	Total Vote	36,593

VOTE DESCRIPTION

This vote provides for the operation of the Legislative Assembly and its committees, including basic compensation, special allowances and other allowances for Members of the Legislative Assembly, officials and staff, and for support services and other related costs. The funds allocated for the Office of the Leader of the Official Opposition are provided for the general operations and support functions of this office. A grant is provided for membership in the Commonwealth Parliamentary Association. Operating costs of the Parliamentary Dining Room are partially recovered from ministries, organizations and individuals.

Source: Estimates for the fiscal year ending March 31, 2000

consolidated revenue fund, sums required to pay the necessary expenses of the Legislative Assembly." This statutory appropriation provides additional funding, without any dollar limit, when the voted appropriation is used up.

We understand that the principle underlying a statutory appropriation, such as for Vote 1, is to provide the necessary financial resources to ensure freedom of debate and action by the Legislature. In short, if the Legislative Assembly is to function, it should not be unduly limited by financial restraints. This, we understand, is a characteristic of all commonwealth jurisdictions.

Statutory appropriations are also used elsewhere in government to supplement voted appropriations, or in place of them. Accessing funds from statutory appropriations—in Vote 1 or in government as a whole—requires no additional type or level of authorization. However, if there is an appropriation in a Supply Act for the same purpose as is stipulated in a statutory appropriation, the Supply Act appropriation must be used up before the statutory appropriation is accessed.

Preparing the Vote 1 Estimates

The Vote 1 estimates are prepared by the Legislative Comptroller in consultation with branch directors, the Clerk of the House and the Speaker. They are then submitted to LAMC for review and approval.

As with all estimates across government, determining the appropriate amount for Vote 1 (the Legislative Assembly) can be difficult. A choice must be made between an estimate that is stringent and encourages economy and efficiency (but therefore may have to be exceeded), and an estimate that is generous and provides for a number of possible contingencies (and therefore is less likely to be exceeded, though may not encourage economy). When, under a stringent estimate, unanticipated events occur and more funds must be used than are voted, the Legislature risks appearing to lack fiscal responsibility, even if it is acting very responsibly. On the other hand, bringing in generous estimates may also give the impression that the Legislature is not being fiscally responsible. Obviously, a combination of the use of accurate estimates—based on prior years' experiences and projected events for the coming year—together with additional authorizations to fund unanticipated events, and good, timely, accountability information, should provide the right balance of responsible behaviour as well as an accurate evaluation of what has occurred. This is the goal to which the administration of the Assembly is committed.

In determining the Vote 1 estimates, LAMC has set limits on the amounts that MLAs can spend in certain areas. For example, apart from their salaries, each Member has both an allowance to spend on communicating with constituents and an allowance to cover travel within the constituency. Where these allowances are fixed amounts being paid directly to MLAs, for example, rather than per diem amounts, an accurate estimate can be determined simply by totalling the amount of the fixed allowances that are due to be paid over the course of the year to the Members.

However, there are a number of areas in Vote 1 where lack of information precludes accurate budgeting. Attempts are made to forecast the length of time that the Assembly will be in session, and the number of committees that will be given work to do, but these forecasts cannot be accurate without knowing the business that will be brought before the House.

The Legislative Assembly Management Committee

The Legislative Assembly Management Committee (LAMC) was established in 1992 with the enactment of the Legislative Assembly Management Committee Act. Its members are the Speaker, a Minister, the Government House Leader, the Chair of the Government Caucus, the Official Opposition House Leader and the Chair of the Official Opposition Caucus. In addition, any other party having four or more MLAs will have a representative on the committee, and for each such representative there will be an additional representative from the government caucus.

The committee has the jurisdiction to deal with all matters affecting the general administration of the Legislative Assembly, including matters related to the provision of facilities, services, and staffing, the payments of MLA salaries and expenses, and the review of the estimates of expenditure for Vote 1. The day-to-day administration of the Legislative Assembly, however, is the responsibility of the Speaker, subject to any direction from LAMC.

It is difficult to predict the number of bills that will be introduced or issues that will need to be debated, and hence it is difficult to anticipate the number of days and evenings the House will sit and the number of legislative committees that will be established and have work referred to them by the Assembly. All of these variables affect the operating costs of the Assembly, and so the estimates are always less accurate in areas affected by such matters as overtime, sessional staff, and printing.

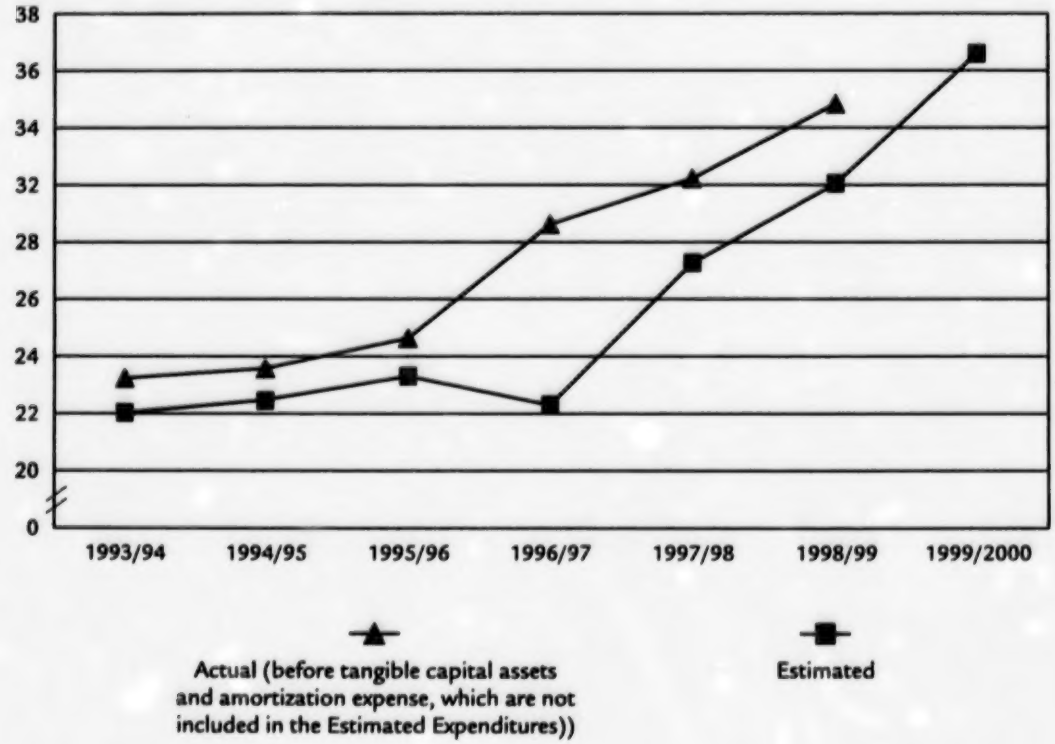
Accordingly, forecasts of staffing costs, production of minutes of debates (Hansard), and even MLA travel and allowances may not be very accurate. The same is true for forecasts of some committee expenses, where the decisions as to which committees will have business assigned to them are typically not made until after the House is in session and the budget has been finalized.

It has been suggested that a fixed legislative calendar, specifying when and for how long the Legislative Assembly would sit, would allow for more accurate budgeting. Arithmetically, this is true, but it would be a major change from the way that the Assembly has conducted its business in the past. The recommendations which follow later in this report are concerned with the existing financial administration of Vote 1—processes, reporting and accountability. The idea of a legislative calendar addresses how the Assembly conducts itself, rather than how its budget is administered, and thus is outside the scope of this report.

With so many unknowns at the time the estimates are prepared and approved, the expenditures for Vote 1 will often vary from the estimate. As shown in Exhibit 2, in recent years, the actual expenditures have consistently exceeded the estimates; by between 5% and 6% in each of the 1993/94, 1994/95 and 1995/96 fiscal years, 26% in the election year 1996/97, 10% in the 1997/98 fiscal year, and 9% in the 1998/99 fiscal year.

Exhibit 2

Actual (where available) and Estimated Expenditures in Vote 1
Fiscal years *1993/94–1999/2000 ($ Millions)*



Source: The Estimates and the Public Accounts

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A Comparison of Estimated and Actual Expenditures for the 1996/97 and 1997/98 Fiscal Years

To study the problems associated with determining an accurate estimate of expenditures, we enquired into the reasons for the differences between estimated and actual expenditures in Vote 1 for the two fiscal years, 1996/97 and 1997/98.

1996/97 Fiscal Year

The 1996/97 fiscal year was an election year (May 28, 1996), which resulted in additional expenditures in Vote 1 due to changes in the MLAs that could not be reasonably predicted when the estimates were prepared. In addition, after the election, LAMC increased a number of MLA allowances and allowed Members to purchase a standard inventory of constituency office furniture and equipment—expenditures that were not known about at the time the estimates were prepared.

We also noted that the Vote 1 estimates for the 1996/97 fiscal year were the second lowest of the seven years from 1993/94 to 1999/2000. The sharp increase in expenditures, combined with the low estimate, resulted in a 26% overexpenditure. Exhibit 2 shows the Vote 1 actual expenditures for each of the most recent six fiscal years that they are available, and the estimates for each of the past seven years.

The 1996/97 budget, which was not supported by previous trends, nor by the subsequent actual expenditures, was included in the Vote 1 estimate and adopted by the Legislative Assembly in a year when LAMC did not meet to review and approve the amount involved.

Our Office reported publicly in February 1999 on the results of its review of the estimates process for 1996/97. We did not pursue an explanation for the significant drop in the expenditures budgeted for Vote 1.

Exhibit 3 shows the estimated and actual expenses for the 1996/97 fiscal year.

Exhibit 3

Vote 1, 1996/97 Fiscal Year

	Estimate $	Revised Estimate (note) $	Actual $	Actual (over)/under Revised Estimate $	Variance %
Members' Indemnities and Allowances	4,906,350	4,906,350	5,425,367	(519,017)	(10)
Members' Constituency Support	4,954,592	4,954,592	6,443,772	(1,489,180)	(30)
Legislative Committees	50,000	50,000	688,889	(638,889)	(1,278)
Caucus Support Services	3,792,096	4,247,390	4,420,275	(172,885)	(4)
Sergeant-at-Arms	1,636,819	1,636,819	2,181,851	(545,032)	(33)
Hansard	1,535,650	1,535,650	1,813,084	(277,434)	(18)
Legislative Library	2,135,890	2,135,890	2,020,285	115,605	5
Communications and Other Centralized Expenses	2,002,778	1,547,484	4,134,360	(2,586,876)	(167)
Sub-total	21,014,175	21,014,175	27,127,883	(6,110,708)	(29)
Sub-total as a proportion of the total	86%	86%	89%	97%	
Sub-total other subvotes	3,279,825	3,279,825	3,494,297	(217,472)	(7)
Sub-total as a proportion of the total	14%	14%	11%	3%	
Total	24,294,000	24,294,000	30,622,180	(6,328,180)	(26)

Note: The original estimate was revised by moving amounts between subvotes. The overall vote total was not changed.

Source: 1996/97 Public Accounts

We understand that the main reasons for the $6.3 million negative variance between the revised estimate and the actual expenditures in fiscal 1996/97 were as follows:

- **Members' Indemnities and Allowances** This subvote was overspent because of severance payments made to the 20 MLAs who stood for re-election but were not successful.
- **Members' Constituency Support** This subvote was overspent due to a number of unforeseen expenditures. The most significant was that in August 1996, almost halfway through the fiscal year, LAMC called for a standard inventory of furniture and equipment to be provided in constituency

offices, and this resulted in major purchases of furniture, computers and other office equipment. In addition, with some existing MLAs not being re-elected, several constituency offices were closed, requiring lease payouts and severance payments to constituency office staff.

- **Legislative Committees** A difficulty in accurately budgeting for committees is that the House generally does not assign work to committees until sometime after the beginning of the fiscal year. For example, in the 1996/97 fiscal year there was a committee reviewing the Nisga'a Agreement In Principle, which held hearings across the Province.
- **Caucus Support Services** This subvote was overspent because it was decided, during the year, that independent members should receive more, pro-rata, than other members who are part of a large caucus to provide them with a sufficient amount of funding for staff support.
- **Sergeant-at-Arms** This subvote provides mainly for security in the Legislature, and staffing is the biggest part of the costs. Almost half of the staff are sessional, being brought in whenever the House is sitting, or whenever committees are meeting in the legislative precinct when the House is not sitting. As a result, the expenses in this subvote vary considerably according to the number of days required for these activities. The substantial increase in this subvote in the 1995/96 fiscal year was tied to the increased level of security being adopted by all legislatures across Canada. Security after hours was particularly increased. The finalized budget for 1996/97 did not provide adequately for the annualized cost of these increased measures.
- **Hansard** Staff costs are the main component of this subvote as well. While the costs vary with the number of days the House sits, a bigger determinant is the number of sitting hours in each day, since the preliminary record of proceedings (called the "Blues") must be prepared before the next day's sitting. Overtime costs can be considerable if the House sits into the night. Hansard is also responsible for the television coverage of debates, which is provided across the Province by satellite, and 15 days' notice is required to book time on the satellite. This can result in payment for unused satellite time if there is less than 15 days' notice of a session ending. Hansard's costs also vary according to the number of committees, both during and outside the session, that require a transcript.

- **Legislative Library** The costs in this subvote are easier to control than those in the other departments. Although the library must remain open for all the hours that the House is sitting, the department can compensate for the longer hours by rescheduling staff to minimize overtime costs. It can also defer costs, such as acquisitions, if it appears that it might be over budget.
- **Communications and Other Centralized Expenses** This subvote budget was exceeded because of an extraordinary rise in the amount of office mail sent by MLAs.

1997/98 Fiscal Year

Exhibit 4 shows the estimated and actual expenses for the 1997/98 fiscal year.

Exhibit 4

Vote 1, 1997/98 Fiscal Year

	Estimate $	Actual $	Actual (over)/under Estimate $	Variance %
Members' Indemnities and Allowances	7,233,000	7,635,440	(402,440)	(6)
Members' Constituency Support	5,475,000	6,860,957	(1,385,957)	(25)
Caucus Support Services	4,187,000	4,252,251	(65,251)	(2)
Sergeant-at-Arms	2,390,000	2,316,144	73,856	3
Hansard	1,934,000	2,154,088	(220,088)	(11)
Legislative Library	2,208,000	1,971,727	236,273	11
Communications and Other Centralized Expenses	2,734,000	3,134,350	(400,350)	(15)
Sub-total	26,161,000	28,324,957	(2,163,957)	(8)
Sub-total as a proportion of the total	89%	88%	73%	
Sub-total other subvotes	3,107,000	3,903,111	(796,111)	(25)
Sub-total as a proportion of the total	11%	12%	27%	
Total	29,268,000	32,228,068	(2,960,068)	(10)

Source: 1997/98 Public Accounts

We understand that the main reason for the $2.9 million negative variance between estimated and actual expenditures for the 1997/98 fiscal year was because of the increases recommended by the Citizens' Panel report on MLA Compensation issued in January 1997. (The Citizens' Panel was a group of five persons, appointed by LAMC, to review and recommend compensation levels for MLA salaries, benefits and allowances.)

The Citizens' Panel recommended increases to MLAs' salaries, business trips, travel between Victoria and their constituencies, the monthly constituency office allowances, and the amounts claimable by MLAs when they are required to be in Victoria. These items are in two subvotes—*Members' Indemnities and Allowances*, and *Members' Constituency Support*.

The increases recommended by the Citizens' Panel were approved and implemented by LAMC in March 1997, but were not included in the budget estimate (as explained later in this report, we believe they should have been). Accordingly, the actual expenses in the *Members' Indemnities and Allowances* and *Members' Constituency Support* subvotes exceeded the budget amounts.

We were told that the main reasons for the variances between estimated and actual expenditures in the other subvotes were as follows:

- **Caucus Support Services** This subvote provides funding to the party caucuses, most of which is used for the employment of caucus staff. The budget for this subvote is calculated based on a fixed amount for each private Member (those who are not government ministers) in the caucus. (LAMC has usually provided an extra amount to independent Members so that they will be able to employ a minimum number of staff.) The government caucus, which includes a number of ministers, felt it was not able to support all of its Members with its share of the budget and, as explained later in this report, was given a one time infusion to its budget by the Speaker. LAMC increased the budget for the following year, 1998/99, by an amount equal to half the amount per private Member for each minister in the caucus.
- **Sergeant-at-Arms** The budget for this subvote was significantly increased over the previous year to reflect the permanent increase in the level of security being provided, so the actual expenditures came within budget.

- **Hansard** This subvote budget was also increased over the previous year. However, because sitting times exceeded what was provided for in the budget, actual expenditures exceeded the budget.
- **Legislative Library** The budget for this subvote was increased, but actual expenses decreased compared to the prior year.
- **Communications and Other Centralized Expenses** This subvote was overspent because the costs of MLAs' office mail exceeded what was anticipated. Although the actual expenses were less than in the previous year and the budget had been increased, the increased budget was still less than actual expenses incurred.

Reviewing and Approving the Vote 1 Estimates

The Vote 1 estimates are not required to comply with Treasury Board's Budget Instructions, or to go through the same Treasury Board review process as the rest of the government estimates. The review of the estimates of expenditure for Vote 1, before they are transmitted to the Minister of Finance and Corporate Relations, is one of the matters specifically stated by legislation to be within LAMC's jurisdiction. Once LAMC has approved the estimates (prepared by the Legislative Comptroller and adjusted, if necessary, to LAMC's satisfaction), they are transmitted to the Minister for inclusion in the annual Estimates that are laid before the Assembly.

LAMC's minutes indicate that, over the six years from 1993/94 to 1998/99, the full committee of LAMC has approved the Vote 1 estimates twice and arranged for a subcommittee to approve them three times. This was an informal subcomittee, and its decisions were not minuted, nor recorded in minutes of subsequent LAMC meetings.

In respect of the budget for the year 1996/97, LAMC did not meet during the time when the Vote 1 estimates would have needed to be reviewed and approved. As a result, the Vote 1 estimates were forwarded to the Minister of Finance and Corporate Relations by the Speaker without being reviewed or approved by LAMC. The Legislative Assembly voted approval for the estimates for Vote 1 (as it does every year) along with the rest of the estimates for that year. However, LAMC is provided by statute with the authority, and the mechanism, for reviewing the estimates for Vote 1, and should do so.

We believe that LAMC ought to have approved the estimates, or at least delegated the task to a subcommittee.

We recommend that LAMC meet to review and approve, or arrange to have approved, the Vote 1 estimates each year. It should also specify review and approval procedures to cover those times it is itself unable to meet.

We recommend that if the Vote 1 estimates are approved other than by the full LAMC (i.e., by a subcommittee of LAMC), a record of the approval should be kept and reported to the committee at its next meeting, and recorded in its minutes.

We found, as noted earlier, that the Vote 1 estimates in the 1997/98 fiscal year were exceeded because of increases to Members' indemnities and other allowances. The Citizens' Panel report supporting these increases, dated January 31, 1997, was submitted to the Speaker on February 19, 1997, and LAMC began its review at its meeting of February 26, 1997. LAMC decided to adopt all except two of the Panel's recommendations at its meeting of March 4, 1997. At the same meeting, the committee received from staff the proposed Vote 1 estimates for 1997/98, and delegated the task of reviewing them to a subcommittee. These estimates did not include any increases resulting from the Citizen's Panel recommendations. However, despite LAMC's having just approved the Citizens' Panel increases, the subcommittee did not increase the estimates. We believe that the Vote 1 estimates should have been adjusted to take into account the Citizens' Panel recommended increases that had been approved by LAMC.

We recommend that LAMC ensure that all of its decisions having financial implications be taken fully into account when determining the Vote 1 estimates.

LAMC's decisions are recorded in its minutes, but the minutes, and the decisions recorded therein, are considered to be draft until approved at the next meeting of the committee. This follows from the LAMC Act, which says that the Committee speaks by minute, duly adopted by the Committee. Thus there is a delay between a decision being made at one meeting and its formal approval at the next meeting. We do not believe that this has been a problem as far as preparing or approving the Vote 1 estimates is concerned, but we believe that it would simplify the implementation and administration of LAMC's decisions if they were permitted to be communicated more promptly. The Speaker, the Chair of LAMC, could circulate the minutes and ask for the approval of the committee members, rather than waiting for the next meeting.

We recommend that LAMC consider changing its procedures so that its decisions can be promptly communicated.

We understand that the Legislative Comptroller has been invited to be present at meetings of LAMC, and that the other directors may be invited also when their areas of responsibility are being discussed. We believe that this is an important move for the Committee to have made, as it will assist them in their review of Vote 1 finances.

Monitoring the Expenditures in Comparison to the Estimates

During the course of a fiscal year, it is prudent to monitor the level of actual expenditures so that there is ample warning of potential budget overruns.

The Legislative Comptroller's office provides monthly reports to each of the party caucuses (and independent MLAs) and departments of the Legislature, showing their actual expenditures to date compared with their portion of the Vote 1 estimates. Committee chairs also receive monthly reports.

The Speaker and the senior administrative officers of the Legislative Assembly receive a monthly report showing a comparison of all expenditures in Vote 1 to the estimates.

As well as reports comparing actual expenditures to the budget, also useful is any other information which indicates that the budget will be exceeded before the end of the year. One example of this would be information on the operation of Legislative Committees. Usually by the fourth or fifth month of the fiscal year the House will have decided what work to refer to committees, and the committees so empowered will have considered their business plans. By gathering these business plans together, it should be possible to determine by early autumn whether the budget for committees is going to be overspent.

Furthermore, as with all parliamentary enquiries, Legislative Committees often change their focus as business progresses and so the actual activities of the committees may vary from their plans. As the year progresses, the effects of these changes to the plans would be further useful information for LAMC to have.

We have previously noted that the 1997/98 Vote 1 estimate was not adjusted to take into account the effects of the Citizen's Panel increases. The amount of these increases, therefore, would be another example of information that could be used to project a budget overrun by the year-end.

While LAMC has access to any information it requests, its minutes do not reflect receipt of any ongoing information comparing actual expenditures to date with original Vote 1 estimates, or of expenditure projections that take into account updated information (such as the examples of the Citizens' Panel and legislative committees).

Since LAMC has jurisdiction to deal with all matters affecting the administration of the Legislative Assembly, we believe that the committee members should receive and review regular reports on a quarterly basis, on the actual and projected expenditures of Vote 1, in comparison with the budget.

We recommend that LAMC be provided with regular reports comparing the actual year-to-date expenditures, and projected fiscal year expenditures, with the estimates.

In keeping with the principle that the activities of the Legislature should not be limited by fiscal constraints, LAMC is limited in what it can do with interim budget-to-actual information. Only the House itself could decide to limit its activities and reduce expenditures. However, we believe that there are actions that LAMC could take. For example, it could defer planned capital expenditures (computer replacement and so on), and it could also vary the allowances that it sets. Since the House leaders and caucus chairs are members of LAMC, there may be suggestions from the party caucuses about cost savings that could be implemented.

We recommend that, when it becomes apparent that the expenses of the Legislative Assembly will exceed the funds appropriated in Vote 1, LAMC meet and consider what courses of action are open to it.

The statutory appropriation provided in the Constitution Act is available to provide additional funding for Vote 1 when it is needed. Although no particular approval is needed before this statutory appropriation is used, we believe that it would be useful if LAMC (or its delegate) were to approve its use. Then, the fact that LAMC had considered the situation and concluded that it had been necessary to use the statutory appropriation would be recorded in the Committee minutes and thus be public knowledge prior to the publication of the year-end Summary Financial Statements of the Province.

We recommend that use of the statutory expenditure appropriation (when it occurs) be approved by LAMC, or its delegate.

Monitoring Expenditures in Comparison to LAMC Limits

The committee has placed limits on the amounts that MLAs can spend in certain areas. These limits are documented in the minutes of LAMC's meetings and MLAs are advised accordingly. (Many of the current limits are those that were recommended by the Citizens' Panel report.) These limits are also described in the Members' Handbook, which is updated each spring. Examples of some of these limits are given in the box below.

Examples of MLA Expenditure Limits set by LAMC

- number of trips between Victoria and constituency
- monthly allowance for constituency office expenses
- annual allowance for travel within constituency

In some cases, LAMC has fixed the amount of an allowance that an MLA will receive to offset expenses incurred. For the 1997/98 fiscal year, for example, MLAs each received $48,000 towards the operating costs of their constituency offices, paid monthly. In these cases, it is unlikely, barring administrative error, that the limit will be exceeded, since the allowance is paid in regular fixed amounts.

In other cases, MLAs must file claims in order to be paid amounts they should be entitled to. For example, MLAs in the constituencies categorized as "coastal remote" are entitled to claim for reimbursement of expenses for travel within their constituencies, upon submission of receipts, up to a fixed amount. This amount was $8,580 for the 1997/98 fiscal year. (This is in addition to a basic quarterly allowance paid to all MLAs for in-constituency travel.) In these cases, the expenditures must be monitored to ensure that the amount allowed for the year is not exceeded.

To assist the MLAs, the Legislative Comptroller's office monitors these budget limits, and advises each MLA when the expenditures to date are close to the limit allowed.

However, LAMC's minutes do not reflect receipt of any ongoing information concerning instances when any of the limits set by the committee are being approached or have been exceeded.

We recommend that the Legislative Comptroller give formal assurance to LAMC on a regular basis throughout the year that no expenditure limits set by the committee have been exceeded or, if that is not the case, report promptly to the committee the specific instances where a limit has been exceeded.

The officials we spoke to said that they believed that none of the LAMC-imposed limits had been exceeded in 1996/97 or 1997/98. However, we were also told that in the 1998/99 chart of accounts some of the expenditure records had combined "limited" with "non-limited" items, so that it was not possible to properly determine whether any limits had been exceeded without doing a detailed analysis of the records. When discussing this finding during the preparation of our report, we were advised that the chart of accounts for Vote 1 for the 1999/2000 year (and subsequent years) had been modified to segregate the "limited" and "non-limited" items of expenditure, a change we support.

It was reported in the press that the Government Caucus global budget (their allocation of the Caucus Support Services subvote, providing funds mainly for caucus staff salaries)—a LAMC-set limit—had been exceeded in the 1997/98 fiscal year. In fact, the caucus budget was given a one time infusion of funds during the year by the Speaker, as described below, and the final total expenditures came within the revised budget total.

In May 1997, early in the 1997/98 fiscal year, the Government Caucus projected that its expenditures for 1997/98 would exceed its budget due to the continued provision of services to cabinet members (in their role as MLAs) which were not funded under the existing formula. Accordingly, the Government Caucus made a request to the Speaker to alter the formula that determines the amount of the caucus global budget.

LAMC discussed the caucus global funding formula at meetings in November and December, 1997, but adjourned debate without reaching a decision. The Government Caucus was still making expenditures in line with its original projection and in December 1997, the Speaker authorized a one time infusion of funds.

LAMC discussed the caucus funding formula in February 1998 and again in August 1998 when, as described earlier in this report, the committee approved part of the suggested change to the formula.

The operations of the Legislative Assembly continue whether LAMC meets or not, and the LAMC Act specifically gives to the Speaker responsibility for the day-to-day administration of the Legislative Assembly. However, we do not believe that this gives the Speaker the authority to approve increases in LAMC-set limits. To date LAMC has not changed or clarified the procedures in this area.

LAMC has absolute discretion over the limits it sets, and can change both which expenditures to limit, and the amounts of the limits, at any time.

The committee can also delegate its authority in any manner it wishes. For example, it could grant the Speaker limited administrative flexibility to act on overruns. This authority presumably would only be exercised after adequate notice had been given to LAMC Members, who would then be in a position to call a meeting or to make their views known to the Speaker before any decision was finalized. Alternatively, LAMC could give the Speaker authority to increase limits only when the committee is unable to meet, and with the requirement that the matter be brought before LAMC for ratification at its next meeting.

Granters of authorities or restrictions, such as LAMC, should be advised, and take appropriate action, when there are expenditure variances, unless they have already delegated that task or made other provisions for it.

We recommend that, when LAMC-set expenditure limits are, or are about to be, exceeded, LAMC meet to consider what action to take as a result.

We recommend that LAMC specify the extent of authority that the Speaker or other delegate can exercise on its behalf in situations involving LAMC-set expenditure limits, when it is unable to meet.

What Accountability Takes Place When the Vote 1 Estimates Are Exceeded

For Vote 1, when the estimate is exceeded, past practice has been to use the statutory appropriation in the Constitution Act to authorize the excess.

The granting of the authority to spend money for program purposes is one of the foundations of parliamentary democracy. Authority to spend—up to a limit and for the purposes given in the vote description—must be granted before actual spending can take place. When this occurs in a voted appropriation, public information is available as to the purpose and amount to be spent. Even when this occurs using special warrants (a practice that this Office does not support), there is still at least some degree of public notice and information. With a statutory appropriation, however, although its purpose is explained in legislation, there is no prior public notice when the appropriation is actually used. It is therefore of particular importance that public notice be given, as well as information provided, on the purpose and amount of the expense being authorized.

Internal reporting at the time the vote is exceeded keeps the Speaker and senior officials aware of the excess, but it is up to the MLAs, and specifically LAMC, to decide if any action needs to be taken.

However, no additional authority is required when the statutory appropriation in the Constitution Act is used. Information on the amount spent is provided in the Province's financial statements. This information shows how much was spent in comparison to the voted amount, and how much statutory appropriation was needed. However, there is no explanation as to why the statutory appropriation was needed.

Good accountability information should explain why there was a variance between the actual and estimated expenditure amounts, covering both the over and under expenditures. We believe that it is appropriate that LAMC be accountable for the budget and the expenditures in Vote 1, given that it has been given jurisdiction over Vote 1 by legislation.

It is not inconsistent for MLAs to be unfettered in terms of the expenditures they may incur while, at the same time, being accountable for situations where the estimates are exceeded.

Since there is currently no public information available as to the reasons for needing additional funds, any excesses of actual expenditures over the amounts in the Estimates have the potential of being interpreted or speculated upon without the full benefit of the facts. We therefore believe that LAMC should annually provide a public record of the reasons for variances in expenditures, giving appropriate information to identify specific areas, departments or caucuses where the variances have occurred.

We recommend that LAMC provide an annual public report on the reasons for variances between budgeted and actual amounts in Vote 1 expenditures.

Summary of Recommendations

Recommendations made in the Office of the Auditor General of British Columbia report titled *Financial Administration of Vote 1* are listed below for ease of reference. These recommendations should be regarded in the context of the full report.

The Office of the Auditor General recommends that:

1. **LAMC meet to review and approve, or arrange to have approved, the Vote 1 estimates each year. It should also specify review and approval procedures to cover those times it is itself unable to meet.**
2. **if the Vote 1 estimates are approved other than by the full LAMC (i.e., by a subcommittee of LAMC), a record of the approval should be kept and reported to the committee at its next meeting, and recorded in its minutes.**
3. **LAMC ensure that all of its decisions having financial implications be taken fully into account when determining the Vote 1 estimates.**
4. **LAMC consider changing its procedures so that its decisions can be promptly communicated.**
5. **LAMC be provided with regular reports comparing the actual year-to-date expenditures, and projected fiscal year expenditures, with the estimates.**
6. **when it becomes apparent that the expenses of the Legislative Assembly will exceed the funds appropriated in Vote 1, LAMC meet and consider what courses of action are open to it.**
7. **use of the statutory expenditure appropriation (when it occurs) be approved by LAMC, or its delegate.**
8. **the Legislative Comptroller give formal assurance to LAMC on a regular basis throughout the year that no expenditure limits set by the committee have been exceeded or, if that is not the case, report promptly to the committee the specific instances where a limit has been exceeded.**
9. **when LAMC-set expenditure limits are, or are about to be, exceeded, LAMC meet to consider what action to take.**

10. **LAMC specify the extent of authority that the Speaker or other delegate can exercise on its behalf in situations involving LAMC-set expenditure limits, when it is unable to meet.**

11. **LAMC provide an annual public report on the reasons for variances between budgeted and actual amounts in Vote 1 expenditures.**